RURAL GAS PROGRAM MANUAL

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Alberta
TRANSPORTATION AND UTILITIES

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RURAL GAS PROGRAM MANUAL

Introduction

This third issue of the Rural Gas Program Manual is issued under the authority of the Deputy Minister of the Department of Transportation and Utilities and is administered by the Gas Distribution Branch of the Department.

The intent and purpose of this manual is to describe the various guidelines and administrative procedures associated with the Rural Gas Program and to consolidate and expand upon the legislation under which the Program has been developed. However, this manual has no authority or precedence over this legislation and, as such, has no legislative sanction with respect to legal interpretation. It is intended primarily for the use and information of rural gas distributors, their agents, and other private or government parties having an interest in the Rural Gas Program.

It is the responsibility of all users to maintain and update this manual and to make use of its contents to aid in the orderly and economic development of rural gas utilities in Alberta.

General Definitions

Certain special terms and phrases used in this manual require definition in order that their application to policy can be clearly understood. Many of these definitions are contained in the sections of the manual to which they specifically apply. The following definitions apply to terms which are more broadly used throughout this manual.

1. "Branch" means
   (a) the Gas Distribution Branch of the Department with respect to any matter covered by Parts A to E inclusive, or
   (b) the Gas Alberta Branch of the Department with respect to any matter covered by Part F.

2. "Distributor" means
   (a) the owner of a gas utility to which the Gas Utilities Act applies,
   (b) a member-owned co-operative association,
   (c) a rural municipal authority, or
   (d) a remote urban municipality designated by the Minister under section 2(2) of the Rural Gas Act,

   that owns or operates a rural gas utility.

3. "Pipeline" includes any equipment, apparatus, mechanism, machinery or instrument incidental to the operation of a pipeline.

4. "Rural gas utility" means a system of pipelines for the distribution and delivery of gas that provides gas service wholly or primarily to rural consumers in Alberta or consumers in remote urban municipalities in Alberta.

PART A

RURAL GAS FRANCHISES

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1. **Definitions**

In this part:

1.1 "chief officer" means the Assistant Deputy Minister, Utilities Development Division of the Department of Transportation and Utilities.

1.2 "franchise holder" means a distributor which has received a franchise area approval pursuant to the Rural Gas Act;

1.3 "municipality" means a city, town, village or summer village;

1.4 "urban distributor" means the owner of a distribution system within a municipality which has entered into a special franchise agreement with the council of that municipality pursuant to the Municipal Government Act.

2. **Franchise Area Approvals and Amendments**

2.1 A potential distributor which proposes to develop a rural gas utility, or the owner of an existing rural distribution system, may upon application to the chief officer obtain a natural gas franchise if it meets the criteria for franchise area approvals outlined in subsection 2.2.

2.2 Franchise area approvals may be given if the proposed area

2.2.1 Is constituted so that 80 percent of the potential rural consumers within its boundaries could be served by the rural gas utility at a reasonable capital cost per rural consumer which is not less than $2200,

2.2.2 Will coincide as nearly as possible with existing municipal boundaries,

2.2.3 Takes into consideration

(a) natural boundaries or other obstacles which would inhibit growth of a rural gas utility, and

(b) boundaries of existing franchise areas or other gas distribution systems, and

2.2.4 Reflects local conditions and community of interest among potential consumers.

2.3 The franchise area approval shall exclude areas contained within a municipality unless the council of the municipality first approves natural gas service to the residents of the municipality by the distributor to whom the franchise area approval is issued.

2.4 Upon application, the Branch may tentatively approve the boundaries of a franchise area if it appears that the proposed rural gas utility will be economically viable.

2.5 The chief officer may amend a franchise area approval

2.5.1 If, in the case of the transfer of any portion of or the whole of an approved franchise area from one distributor to another distributor, both distributors agree in writing to the proposed amendment and amendment will likely not, in the opinion of the chief officer, adversely affect the economic viability of either distributor or create a precedent which may subsequently adversely affect the economic viability of either distributor.

2.5.2 If, in the opinion of the chief officer, the amendment will not adversely affect government policy respecting development and stability of rural gas utilities in Alberta or the overall interests of consumers in the Rural Gas Program, and

2.5.3 If he is satisfied that the amendment is in the public interest.

2.6 The chief officer may refuse to amend a franchise area approval if he is satisfied that

2.6.1 The distributor whose franchise area would be reduced by the amendment has complied with or is prepared to comply immediately with section 3 respecting its duty to offer gas service to consumers within its franchise area, or

2.6.2 The basis for the application is primarily to obtain gas service for a consumer or group of consumers at a lower capital charge or lower gas rates for that consumer or group of consumers than have been or may be charged to other consumers who would remain within the amended franchise area, and

2.6.3 It is not in the public interest to do so.

2.7 If an area which is subject to a franchise area approval was annexed by a municipality prior to June 6, 1983, the chief officer may amend the franchise area approval based on either of the following criteria:

2.7.1 If the urban distributor is not the franchise holder and:

(a) the council of the municipality confirms in writing that it wishes the urban distributor to serve the residents of the annexed area;

(b) the urban distributor has offered reasonable compensation to the franchise holder for the purchase of the franchise holder's plant within the annexed area;

(c) the urban distributor agrees in writing to restrict the use of any utility rights-of-way assigned to it by the franchise holder to the existing plant purchased from the franchise holder; and

(d) the amendment is in the public interest.

2.7.2 If the urban distributor is also the franchise holder.

2.8 Any compensation under subsection 2.7.1(b) should be net of any government grants and consumer contributions received by the franchise holder to assist in constructing the plant which is being purchased by the urban distributor.

2.9 If an area that is subject to a franchise area approval was or is annexed by a municipality on or after June 6, 1983, the franchise area approval shall be deemed to be amended as of the effective date of the annexation and the provisions of the Municipal Government Act shall thereafter apply and prevail.

2.10 If an area which is subject to a franchise area approval was annexed by a municipality prior to June 6, 1983 and the council of the municipality decides that the franchise holder may continue to serve the residents of the annexed area under a "split-franchise" arrangement, the franchise area approval may not be reduced by the annexed area if in the chief officer's opinion it is in the public interest to keep the franchise area approval intact. However, the franchise holder should nevertheless enter into a special franchise agreement with the municipality pursuant to provisions in the Municipal Government Act whether or not the franchise area approval is amended.

2.11 Notwithstanding subsections 2.7, 2.9 and 2.10:

2.11.1 the capital costs and the number of consumers used to determine the franchise holder's grant eligibility pursuant to Part E, sections 5 and 6 shall be not amended in the event that plant is sold and/or consumers are transferred to the urban distributor as a result of annexation;

2.11.2 capital costs incurred by the urban distributor or the franchise holder, as the case may be, for construction within the annexed area after the effective date of the annexation shall not be eligible for grant support pursuant to Part E unless consumers located within the annexed area are unable to obtain gas service on an economically viable basis without the benefit of grant support.

2.12 The chief officer, when issuing a franchise area approval or an amendment to it, shall attach a map setting out the area that is subject to the approval or amendment. If an application for a franchise area approval or amendment is refused, the chief officer shall notify the applicant in writing.

3. Rights and Duties of Distributors

3.1 A distributor holding a franchise area approval has both the exclusive right and the duty to offer natural gas service to all potential consumers within its franchise area, except for the following categories:

3.1.1 A consumer using gas as a feedstock;

3.1.2 A consumer using gas which is not eligible for a rebate under the Natural Gas Price Protection Plan;

3.1.3 A consumer using gas in its own integrated system of production, transmission, and end use in its own operation;

3.1.4 A consumer using gas on an intermittent or standby basis, other than for grain dryers or for irrigation purposes;

3.1.5 Electric power generating plants of more than 1 MW (megawatt) production capacity;

3.1.6 A consumer whose actual or estimated annual consumption for heat processes used in the production of goods is at least 40 percent of its total annual consumption, and whose actual or estimated annual consumption exceeds 10 000 GJ (gigajoules).

3.2 Notwithstanding the lack of exclusive rights which a distributor has with respect to the type of consumers listed in subsection 3.1.1 to 3.1.6 inclusive, a distributor may nevertheless offer natural gas service to any of these potential consumers provided that they are located in its franchise area.

3.3 If an offer of gas service under subsection 3.1 or 3.2 has been accepted by the potential consumer, the distributor must apply to the Branch for construction approval in accordance with Part B, and on receipt of construction approval must provide service as soon as is reasonably possible.

3.4 Notwithstanding subsections 3.1 and 3.3, the Branch may waive a distributor's duty to serve all potential consumers under this section in whole or in part where it appears that the capital cost of serving a consumer or group of consumers may adversely affect the economic viability of the distributor's rural gas utility.

3.5 A distributor may offer gas service to a potential customer outside its franchise area or within the franchise area of another distributor if it has received approval in writing from the Branch.

PART B

TECHNICAL APPLICATIONS

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1. Applications — General

1.1 Technical applications are required for any proposed construction activity in a rural gas utility, or for any special projects or programs which the distributor proposes to undertake with the support of Government grants. Applications will normally be submitted by the distributor's engineering consultant but, in all instances, the Branch will consider such an application as equivalent to an application submitted directly by the distributor itself.

1.2 Applications described in this Part B may be divided into the following categories:

1.2.1 Preliminary applications which are intended to highlight the basic features of a project — particularly those of an economic nature — in advance of a construction application for the project. Such applications permit the distributor and the Branch to decide on a project's feasibility in advance of such steps as obtaining utility rights-of-way or materials for the projects.

1.2.2 Construction applications which constitute a request by the distributor to the Branch for approval to proceed with construction of a project. Such applications should logically follow receipt of a preliminary approval for the project unless it is obviously feasible (e.g. short, inexpensive primary service lines) or necessary (e.g. PE 3306 replacement).

1.2.3 As-Built drawing and license applications as described in section 6.

1.3 Following receipt of a completed application which meets the requirements outlined in the applicable section of this Part B, the Branch may issue:

1.3.1 A preliminary approval,

1.3.2 A construction approval,

1.3.3 A letter of confirmation, or

1.3.4 A letter of acceptance for as-built drawings concurrent with a license to operate.

The type of approval, confirmation, or acceptance issued will be determined primarily by the type of application and the nature, scope, and capital cost of the project or program described in the application.

A distributor should not proceed with any project or program described in this Part B unless:

1.3.5 It has firstly made application to the Branch, and

1.3.6 It has received an approval or letter of confirmation from the Branch and has satisfied any conditions specified in the approval or letter of confirmation.

2. Preliminary Applications

2.1 A preliminary application is a useful method for a distributor to ascertain if Branch approval would be granted for a project and to receive advance notice of the type and extent of grant support which would be available should the project proceed. Such applications are particularly useful for large or expensive projects where the distributor wishes to receive advance confirmation of grants and other relevant information before committing itself to formal project applications, contracts, or material purchases.

2.2 The content of a preliminary application should reflect the nature of the project in question, but all such applications should include the minimum information which the Branch will need to evaluate and respond fully to the distributor's request.

2.3 The following types of project may be considered as typical of instances where preliminary applications may be advantageous to a distributor:

2.3.1 Extensions or consumer addition projects where the average cost per consumer is relatively high;

2.3.2 Upgrading projects involving system looping, improvement, or replacement;

2.3.3 Any project not clearly covered by the provisions within this manual or by precedent;

2.3.4 Any project where the content or approach involved may be considered unique;

2.3.5 Any project where the distributor simply wishes to satisfy itself in advance that Branch approval is available and that the type and level of grant support is sufficient to make the project feasible.

3. Construction Applications

3.1 Irrespective of any permit or approval issued by any other party, a distributor must not commence construction of a project unless it is in receipt of a construction approval from the Branch.

3.2 A distributor should request a preliminary approval for the types of projects described in subsection 2.3 before preparing and submitting a construction application in order that it may be assured in advance that the project will be approved.

3.3 Construction applications may involve a project size and scope which justifies the need for a formal agreement between the distributor and its engineering consultant under the provisions of Part C. Accordingly, a distributor must ensure that it has an agreement with its consultant which has been approved in writing by the Branch prior to any engineering work being carried out on a construction application.

3.4 All construction applications should contain the following minimum information:

3.4.1 One copy of a covering transmittal "Construction Application Data Summary Report" as illustrated in Appendix I which should specify:

(a) Identification of project management responsibilities as assigned between the distributor and its engineering consultant including responsibilities for:
  (i) Co-ordination of crossing agreements;
  (ii) Inspection of construction activity;
  (iii) As-built surveying;

(b) The status of utility rights-of-way, including a listing of rights-of-way which have been executed by the landowner but not yet submitted for registration under Part F and a listing of rights-of-way required for the project but not yet executed by the landowners involved. Distributors should note the special requirements for utility rights-of-way outlined in Part F.

3.4.2 One copy of a detailed cost estimate for the project based on the selected tenders for labour, materials, and equipment. Distributors should use the cost estimate form illustrated in Appendix II. Since this cost estimate will form a principal basis for the construction approval, it should be prepared with accuracy and should reflect the individual portions of the total capital cost for the project which are applicable to the different grant structures which would be specified in the construction approval. The following cost items should be listed separately to reflect the various grant structures specified in Part E:

(a) Urban capital costs;
(b) RMO station costs;
(c) Grain dryer costs;
(d) Non-grantable capital costs for each consumer;
(e) Special non-grantable costs for each consumer including the contract price paid by the consumer;
(f) Rural capital costs.

3.4.3 Two copies of rural distribution system layout plans reproduced from the distributor's as-built drawings and which show:

(a) All potential consumers;
(b) The proposed layout of the distribution system indicating pipe sizes, material types and design loads.

3.5 In addition to the minimum information required under section 3.4 construction applications should include the following additional information as applicable to the scope and nature of the project.

3.5.1 Details of any proposed gas source(s) for the project including:
(a) Legal description;
(b) Type of access for operation and maintenance purposes;
(c) The results obtained from an investigation of gas quality and security of supply;
(d) The licensed pressure and the maximum operating pressure of the source;
(e) The name of the owner or licensee and the name of the contact person.

3.5.2 One copy of load survey forms for:
(a) All potential domestic consumers;
(b) All irrigation, grain dryer and non-grantable consumers who have applied for service.

Distributors should note that other equivalent methods may be used to establish peak design loads for the project. In all cases, load surveys or equivalent methods should meet the specifications outlined in the Branch's Technical Standards Manual.

3.5.3 One copy of a list of all existing or potential consumers within the area affected by the project which should contain the following information for each consumer:
(a) Name;
(b) Category, being one of the following:
(i) Rural
(ii) Urban
(iii) Rural non-grantable
(iv) Urban non-grantable
(v) Special rural non-grantable
(vi) Special urban non-grantable
(vii) Irrigation
(viii) Grain dryer
(ix) Communal farm
(x) Indoor farm
(xi) Other: specify
(c) Legal description;
(d) Design load;
(e) Sign-up or refusal.

3.5.4 One copy of a detailed spread sheet describing the individual tenders received for materials and equipment to be used in the project and for construction of the project, where such tenders are required under Part C. A construction application should include a list of selected suppliers and contractors and, where any individual selection does not reflect the lowest tender received, an outline of the reasons for this selection should be provided. Where tendering is not required under Part C, the selected construction contractor should be identified on the project application form described in subsection 3.4.10.

3.5.5 One copy of the permit application to the Energy Resources Conservation Board for pipelines which are intended to operate above 700 kilospascals (100 psi).

3.5.6 Two copies of the following plans:
(a) An overall system plan;
(b) Urban and/or subdivision plans;
(c) Detail plans for crossings, intermediate regulator stations, block valve assemblies, cathodic protection systems; and consumer risers and meter/regulator sets.

3.5.7 One copy of the cathodic protection designs and specifications for metallic pipelines, crossings, and risers.

4. As-Built Drawing/License Applications

4.1 Each distributor should make application prior to March 31 of each calendar year for acceptance by the Branch of as-built drawings of all construction undertaken during the preceding calendar year.

4.2 An application under subsection 4.1 should include all construction. Separate applications should only be submitted in exceptional circumstances and, nevertheless, only one letter of acceptance will be issued by the Branch following receipt of all separate applications.

4.3 As-built drawing applications should contain the following information:

4.3.1 Three copies of distribution system layout plans prepared in accordance with the Branch's Technical Standards Manual and containing the following minimum information:

(a) Approved franchise boundaries;
(b) Any major topographical features;
(c) Any roads, highways, rivers, railways, canals, creeks, water bodies, and foreign pipelines;
(d) Clear identification of relevant land description;
(e) All potential consumers;
(f) The distribution system or pipelines constructed during the preceding year coloured in red.

4.3.2 If applicable, four copies of any detail plans of any urban or subdivision areas prepared in accordance with and containing the same information as the specifications outlined in subsection 4.3.1. In addition, detail plans shall also include any urban boundaries designated by the Branch for grant eligibility purposes and, where applicable, the designated municipal boundary for any town or village.

4.3.3 One copy of any applicable detail plans which illustrate the as-built layout of any crossings, regulator stations or other similar facilities.

4.3.4 One copy of the Branch's license application form as illustrated in Appendix III, and where applicable, one copy of the license application to the Energy Resources Conservation Board.

4.3.5 One copy of a corrosion protection report.

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GAS DISTRIBUTION BRANCH

APPENDIX I

UT-GD 005

CONSTRUCTION APPLICATION DATA SUMMARY REPORT

DISTRIBUTOR _____ DATE _____

APPLICANT _____

CONTACT _____

TELEPHONE NUMBER _____

TYPE OF CONSTRUCTION

CONSUMER ADDITIONS	☐	PE 3306 REPL.	☐
SYSTEM UPGRADING	☐	PVC REPL.	☐
SYSTEM LOOPING	☐	_____	
NEW SYSTEM	☐	_____	☐

NO. OF CONSUMERS ☐ PIPE QUANTITY ☐ km

PIPE SUPPLIER _____ PIPE SPECS. _____

PROJECT MANAGEMENT INFORMATION

RESPONSIBILITY	DELEGATED PARTY
CO-ORDINATION OF FOREIGN PIPELINE CROSSINGS	
CONSTRUCTION/INSTALLATION OF PIPELINES AND FACILITIES	
INSPECTION	
AS-BUILT SURVEYING	

Have all necessary URW's and crossings been identified and owner approval granted? ☐ YES ☐ NO

Have all URW's been signed and submitted for registration? ☐ YES ☐ NO

_____
APPLICANT

FOR DEPARTMENT USE ONLY

CHECKED _____ DATE _____

APPROVED _____ DATE _____

MAR-80

Alberta
TRANSPORTATION AND UTILITIES
GAS DISTRIBUTION BRANCH

APPENDIX II

CONSTRUCTION COST ESTIMATE

Distributor _____ Date _____

Project _____ Contractor _____

A. MATERIAL

ITEM	QTY.	UNIT COST	TOTAL
1. PIPE, PE, SIZE mm			
PE FITTINGS, TRACER WIRE			
2. PIPE, AL			
ST			
3. SUPPLIES & FREIGHT			
4. SERVICE INSTALLATION			
A. RISER UNIT (RISER, ANODE, LUBOSEAL)			
B. METER UNIT (METER, REGS, FITTINGS)			
5. OTHER INSTALLATION			
A. INTERMEDIATE REG STATION			
B. SHUT OFF VALVE			

B. LABOUR/EQUIPMENT

CONTRACTOR OR SELF/CONSTRUCTION	QTY.	RATE/METER or/UNIT	TOTAL
1. PIPE INSTALLATION A. PLOWING			
B. TRENCHING			
C. BACKHOE			
2. CROSSINGS A. CABLE/UTILITY			
B. ROAD			
C. OTHER			
3. SPECIAL A. BRUSHING			
B. MUSKEG			
C. OTHER			
4. HOT TAPS			
5. SERVICE INSTALLATION			
A. RISER UNIT			
B. METER UNIT			
6. OTHER INSTALLATION			
A. INTERMEDIATE REG STATION			
B. SHUT OFF VALVE			

SUBTOTAL B. _____

A. MATERIALS, SUBTOTAL _____ _____ _____

C. ENGINEERING _____

D. OTHER FIELD LABOUR/MILEAGE

1. CANVASS, CONTRACT, URW _____
2. ROUTING, STAKING, INSPECTION _____
3. SURVEY _____

SUBTOTAL _____ _____

E. CROP AND DAMAGE _____

F. CONTINGENCY _____

TOTAL DIRECT CONSTRUCTION COSTS _____

ADMINISTRATIVE OVERHEAD - FORMULA APPLICATION _____

TOTAL ESTIMATED COST _____

COST PER KM _____

COST PER SERVICE _____

APPENDIX III

Alberta
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GAS DISTRIBUTION BRANCH

PIPELINE LICENSE APPLICATION
(FOR GAS DISTRIBUTION PIPELINES
OPERATING AT 700 KILOPASCALS OR LESS)

PAGE _____ OF _____

LICENSE NUMBER	U

INFORMATION INSTRUCTION CODE

ADD INFORMATION ☐ CHANGE INFORMATION ☐

TYPE OF APPLICATION

☐ APPLICATION FOR A LICENSE
☐ APPLICATION TO AMMEND LICENSE NO U_____

APPLICANT		APPLICANT'S AGENT	
ADDRESS		ADDRESS	
CITY, TOWN OR VILLAGE	POSTAL CODE	CITY, TOWN OR VILLAGE	POSTAL CODE
SIGNATURE FOR APPLICATION	DATE YR MO DAY	PERSON TO CONTACT REGARDING APPLICATION	TELEPHONE

LINE NO.	FROM LOCATION					F C	TO LOCATION					F C	LENGTH (km)	O.D. (mm)	WALL THICKNESS (mm)	MATERIAL	TYPE	GRADE	M.O.P. (kPa)	EXTERNAL COATING	JOINTS	STATUS	YEAR
	LS	SEC	TWP	RGE	M		LS	SEC	TWP	RGE	M												

NOTE: ALL DATA TO BE
TYPED IN 10 PITCH

CLEARED FOR APPROVAL ◆ SIGNATURE | DATE YR MO DAY

LICENSE APPROVAL ◆ SIGNATURE | DATE YR MO DAY

UT - GD.013

PART C

CONTRACTS AND TENDERS

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1. General

1.1 To ensure the orderly and economic development of rural gas utilities, the Branch may require that a distributor:

(a) enter into a contract with a consultant or contractor;

(b) acquire materials or contracting services through an invitational or public tender process.

1.2 The requirements for contracts and tenders are generally outlined in this Part C and should be followed by distributors unless waived by the Branch. Contract or tender values specified in sections 2 or 3 are the estimated costs that will be expended for each specific service during the calendar year or the distributor's fiscal year, based on the distributor's budget estimates as described in Part E, subsection 2.2.1.

1.3 If a distributor does not meet these requirements for contracts and tenders and, in the Branch's opinion, this results in additional capital costs being expended for a construction project, the Branch may refuse to provide grant support towards these additional capital costs.

2. Contracts

2.1 Where the value of any consulting or contracting services will exceed $25,000, the distributor should enter into a written contract with the consultant or contractor unless this requirement is waived by the Branch.

2.2 Where a contract is required under this section, the contract should be submitted for review and approval by the Branch prior to execution unless the form of the contract has previously been approved, in which case a copy of the executed contract should be filed with the Branch.

2.3 A contract under this section should be sufficiently comprehensive to suit the scope of the project and should clearly outline the separate responsibilities of both parties.

3. Tenders

3.1 Invitational tenders should be obtained from at least two suppliers where the value of materials exceeds the value of goods specified in Table 3.1. However, a quotation may be obtained from only one supplier if the materials are available from that supplier only.

TABLE 3.1 — TENDERS

Materials Required	Estimated Value in Calendar or Fiscal Year
Steel or Aluminum pipe	$50,000
Polyethylene pipe	$20,000
Meters and regulators	$25,000

3.2 Tenders should be obtained by invitation from at least three contractors where the value of contracting services will exceed $25,000 up to $100,000 and by the public tendering process where the value of the contracting services will exceed $100,000.

3.3 The requirement for tenders may be waived in whole or in part by the Branch if it is satisfied that the use of the tendering process may not achieve lower costs for the materials or services to be obtained.

3.5 Where tenders should be obtained by public notice under subsection 3.2, the tender documents should include a requirement for performance bonding which:

(a) is equal in value to at least 50 per cent of the value of the tender;

(b) contains a provision for security with respect to a one-year maintenance guarantee (to be specified in the contract);

(c) must be obtained from a surety company licensed to provide bonding services in Alberta;

(d) must be deposited with the distributor and copied to the Branch prior to commencement of the project.

PART D

DETERMINATION OF SYSTEM CAPITAL COSTS FOR GRANT SUPPORT

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1. System Capital Costs — General

1.1 The intent of this Part D is to outline the policies used by the Branch for determination of system capital costs for any fiscal period in a rural gas utility.

1.2 The policies outlined in this Part D are intended to:

1.2.1 Achieve reasonable control of capital costs;

1.2.2 Outline the basic parameters used by the Branch when conducting audits of system capital costs;

1.2.3 Define the various cost components from which the system capital cost is determined, and

1.2.4 Define those components of the system capital costs which are ineligible for grant support.

2. Budgetary Control Procedures for Capital Cost Expenditures

2.1 The Branch's capital grant budget for the Rural Gas Program is subject to certain budgetary controls which necessitate the input and co-operation of all distributors with respect to capital cost expenditures. These controls are necessary to ensure that grant funds available to the Branch for ongoing development of the Program are allocated and distributed equitably and fairly and in accordance with reasonable priorities.

2.2 The budgetary control system comprises four basic steps:

2.2.1 Budget estimating which takes place around June of the year prior to commencement of the capital projects for which estimates are being prepared, following input by each distributor;

2.2.2 Selective allocation of grant estimates to distributors, which takes place around March of the year the capital projects are to be initiated. Allocation of funds at this stage will take account of more refined estimates by the Branch, and selective allocation of grant funds which, depending on the availability of funds, may require selective deferral of projects which have a low priority rating. The input and co-operation of each distributor may be critical for this step in the budgetary control system;

2.2.3 Ongoing monitoring and control of capital cost and grant fund commitments through use of approved estimates and grant specifications in construction approvals, which are in turn based on capital cost estimates prepared by the distributor or its engineering consultant;

2.2.4 Final determination of the distributor's grant eligibility through interim and final audits of capital expenditures as derived from the distributor's accounts records and from financial statements provided by the distributor.

2.3 The Branch will attach a statement to each construction approval which will confirm the current status of capital cost and grant fund expenditures and commitments, and will also specify remaining funds available for new construction projects for which applications have not yet been received, or for which approvals have not yet been issued. Distributors should note the content of this statement carefully and use the data contained therein to monitor approved projects and to plan additional projects.

3. Branch Audits of System Capital Costs

3.1 Since all projects which are eligible for grant support require the prior approval of the Branch, and since all such approvals will normally specify capital cost estimates, the system capital cost to be used for calculation of grant eligibility should normally compare to the aggregate of project estimates approved by the Branch, and the Branch may require a distributor to justify any capital costs in excess of approved estimates in order that consideration may be given to grant support for the excess amount.

3.2 The approved capital cost estimates will be used as the maximum amount of capital cost for progress grant purposes as described in Part E, section 6.1.

3.3 Where the amount of pipeline and associated plant defined in a construction approval is not installed due to a partial deferral or cancellation of a project, the Branch may reduce the approved estimate accordingly.

3.4 The Branch will determine the final system capital cost to be used to calculate total grant eligibility for construction projects and any other eligible capital projects or programs in a fiscal year, by means of a year-end audit. The audit will include:

3.4.1 An analysis of the distributor's records to verify system construction costs as specified in the distributor's financial statement;

3.4.2 A review of all capital costs and grant specifications outlined in the applicable construction approvals for the projects to be audited;

3.4.3 A comparison of
(a) Capital costs approved versus capital costs reported for work completed during the fiscal year,
(b) The scope of capital projects or programs approved versus construction progress reported to determine the amount, if any, of capital costs which will be deferred until the following fiscal year.

3.4.4 An evaluation of the distributor's explanations for any significant cost overruns or extraordinary expenditures incurred for construction projects, and a general evaluation to determine if capital costs reported are reasonable.

3.5 The final capital cost determined by the Branch may not necessarily coincide with the system capital cost presented in the distributor's financial statement, since it must be recognized that the guidelines utilized for the preparation of a financial statement may not necessarily coincide with the policies outlined in this section.

4. **Components of System Capital Costs**

4.1 Capital expenditures for system construction which may be eligible for grant support, subject to the audit described in section 3, may include the following components:

4.1.1 Construction material and supplies approved for installation by the Branch and actually installed as part of the distributor's system but excluding materials and supplies which are:
(a) Placed in inventory,
(b) Used for system operations,
(c) Used in the distributor's office or shop, or
(d) Resold to consumers or other third parties.

4.1.2 Freight charges which are not included as part of the price schedule in a construction contract, and which are necessarily incurred for materials and supplies eligible for grant support under the provisions of subsection 4.1.1;

4.1.3 Construction services for installation of materials and supplies in the distributor's system, and which comply with the requirements of Part C and/or self-construction costs as determined from the unit rate system outlined in section 5;

4.1.4 Professional services strictly related to approved capital projects or programs and which comply with the requirements of Part C;

4.1.5 Crop damage claims paid out to landowners which are both reasonable and strictly related to crop losses due to pipeline construction;

4.1.6 Any other third-party charges necessarily and reasonably incurred for approved capital projects or programs;

4.1.7 Internal costs for distributor employees and directors for field activities such as: canvassing, load surveys, obtaining utility rights-of-way, pipeline routing and staking, inspection, surveying, negotiating crop damages and minor self-construction work not covered by a comprehensive unit rate agreement.

Claims for eligible internal costs described above must be supported by work orders or other documentation acceptable to the Branch and may include:

(a) Labour charges for acceptable documented field activities, with charge rates established on the following basis:
  (i) For employees paid on an hourly basis, the hourly rate plus employee benefits;
  (ii) For salaried employees, a calculated hourly rate based on the monthly salary paid plus employee benefits divided by the total number of hours which the employee works in a month;
  (iii) For directors, a reasonable hourly rate or flat fee for the field services provided;

(b) Vehicle expenses established by application of a flat, all-inclusive rate per mile or kilometre for documented mileage related to field activities. A vehicle mileage log must be maintained by the distributor to validate the flat expense recovery rate being used;

(c) Employee and director expenses while engaged in field activities as recorded on the work order system, and

(d) Any other internal cost necessarily and reasonably incurred in connection with approved capital projects or programs.

4.1.8 A fixed allowance of four percent (4%) of costs incurred under subsections 4.1.1 to 4.1.7 inclusive to cover office administration expenses related to capital projects which are eligible for grant support to a maximum allowance of $20,000 for any individual fiscal year for the distributor.

5. **Unit Rate Agreements for Determination of Capital Costs for Self-Construction**

5.1 A distributor which elects to undertake all or a portion of pipeline construction in its rural gas utility by self-construction methods should determine that portion of capital costs attributable to self-construction from a unit rate schedule agreed to between the distributor and the Branch for that purpose prior to commencement of construction.

5.2 The schedule of unit rates would account for the following internal cost components:

5.2.1 The wages, benefits, and expenses of all salaried and wage employees who are employed in the self-construction program;

5.2.2 The cost of construction equipment, including purchase, depreciation, financing, leasing, operations, maintenance, and repair.

5.3 For purposes of clarification, a schedule of unit rates should be deemed to exclude the following capital cost components:

5.3.1 Third-party charges as described in subsection 4.1.1 to subsection 4.1.6 inclusive;

5.3.2 Internal costs for the services described in subsection 4.1.7, and

5.3.3 Office administration expense as described in subsection 4.1.8.

5.4 Upon completion of a self-construction program, the distributor should compute the actual value of the schedule of unit rates by completing a spread sheet and summary and submitting it to the Branch for review and approval. The Branch reserves the right to conduct a field audit as part of its review which will normally be conducted following receipt of as-built drawings for the pipeline construction to which the schedule of unit rates applies.

6. System Capital Costs Ineligible for Grant Support

6.1 Construction costs considered ineligible for grant support may include but may not necessarily be limited to the following:

6.1.1 An amount deemed ineligible for grant support following an audit of capital costs under section 3;

6.1.2 Self-construction costs which exceed the amount derived from the schedule of unit rates as described in section 5;

6.1.3 Cost of service to an indoor farm in excess of $20,000 as described in Part E, subsection 5.6.3;

6.1.4 Service to non-grantable and special non-grantable consumers as described in subsection 6.2 and 6.3;

6.1.5 Provision of natural gas supplies for standby purposes only as described in subsection 6.5;

6.1.6 The cost of materials or contracting services which do not meet the requirements for competitive tendering and vendor/product selection as described in Part C;

6.1.7 Replacement of pipelines due to inadequate depth of cover;

6.1.8 Replacement or lowering of crossings of highways, roads, railways, canals, watercourses, foreign pipelines or other utilities;

6.1.9 Replacement of or improvements to facilities which have deteriorated due to inadequate maintenance and/or inadequate cathodic protection;

6.1.10 Repairs to PE 3306 pipe;

6.1.11 Unaccounted for gas;

6.1.12 Costs associated with abandoning and reconnecting pipelines due to non-burning consumers.

6.2 A non-grantable consumer is a consumer who uses natural gas for non-domestic and non-farming purposes, and who does not qualify as a farmer under the definition outlined in Part E, subsection 5.1.3.

The capital cost determined for service to a non-grantable consumer will depend on the consumer's location and peak hour design load as follows:

6.2.1 If located in a rural area with a peak hour design load less than $15m^3$/hour (530 ft^3/hour), either the dedicated cost of service or $1700, whichever is greater;

6.2.2 If located in a rural area with a peak hour design load greater than $15m^3$/hour (530 ft^3/hour), but less than $70m^3$/hour (2472 ft^3/hour), either the aggregate of the dedicated and incremental cost of service or $1700, whichever is greater;

6.2.3 If located in a rural area with a peak hour design load greater than $70m^3$/hour (2472 ft^3/hour), the non-grantable cost of service as determined by the Branch;

6.2.4 If located in an urban area with a peak hour design load less than $7m^3$/hour (247 ft^3/hour), either the dedicated cost of service or $600, whichever is greater;

6.2.5 If located in an urban area with a peak hour design load greater than $7m^3$/hour (247 ft^3/hour), either the aggregate of the dedicated and incremental cost of service or $600, whichever is greater.

6.3 A special non-grantable consumer is a church or community hall which is supported by private contributions from the community. The non-grantable cost of service for this type of consumer will be:

6.3.1 If located in a rural area, either the dedicated cost of service or $1700, whichever is less;

6.3.2 If located in an urban area, either the dedicated cost of service or $600, whichever is less.

6.4 Notwithstanding subsection 6.3, where the distributor obtains a contribution from a special non-grantable consumer which is greater than the fixed amounts specified (i.e. $1700 and $600), the benefit under subsection 6.3 is not then being passed on to the church or community hall as applicable. In cases where the actual cost of service exceeds the fixed amounts but the distributor is obtaining a greater contribution, the reduction provided for in subsection 6.3 shall not reduce the non-grantable costs to less than the contribution from the consumer.

6.5 Where gas service is to be provided for standby purposes only, such as service for emergency electrical generation, the non-grantable cost of service shall be the aggregate of the dedicated and the incremental cost of service; or

6.4.1 $1700 if located in a rural area;

6.4.2 $600 if located in an urban area;

whichever is greater.

PART E

GRANTS

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1. Grant Eligibility Criteria

1.1 The Utilities Grants Regulation under the Department of Transporation and Utilities Act provides a system of grant support towards construction costs to those natural gas distributors which have received a franchise area approval under the provisions of the Rural Gas Act and the Rural Gas Regulation.

1.2 A distributor which has not received a franchise area approval may qualify for partial grant support if its gas utility has been classified by the Minister as a rural utility for purposes of that partial grant support.

1.3 A distributor may receive a grant to cover the capital cost of only a portion of its overall distribution system plant where that portion is intended to serve farm or urban consumers within the prescribed boundary of a franchise area approval. Any distribution system plant which is installed for any other purpose is ineligible for grant support.

1.4 Any distributor which makes application for a grant may be required to:

1.4.1 Provide certain information with respect to the necessity for and purpose of the grant;

1.4.2 Provide evidence in the form of a financial statement or schedule, as may be requested by the Branch, to verify that the capital cost for which grant support has been requested is reasonable;

1.4.3 Satisfy the Branch that all capital cost expenditures for which grant support is requested are covered by a construction approval;

1.4.4 Use the form of grant application prescribed by the Branch, and

1.4.5 Provide such other information, evidence, or documents the Branch may require to ensure that the type and/or amount of any grant is in accordance with the policies outlined in this manual.

1.5 Eligibility for grant support for any capital cost project or program to be undertaken by a distributor must be confirmed by and subject to provisions specified in a construction approval or other such written confirmation as may be appropriate. No grant will be issued without this prior written confirmation.

2. Grants — General

2.1 Where a distributor has incurred capital costs for the development of its rural gas utility, and

2.1.1 The distributor requests grant support for the capital costs;

2.1.2 The capital costs and project or program for which they have been incurred have received the approval of the Branch;

2.1.3 The capital costs are eligible for grant support in accordance with the policies outlined in Part D, and

2.1.4. The distributor is eligible for grant support in accordance with the eligibility criteria outlined in section 1,

the amount of grant available to the distributor with respect to those capital costs will be as outlined in this Part E.

2.2 Eligible capital costs derived from Part D may be divided into the following categories:

2.2.1 The portion of eligible capital costs eligible for special grant support in accordance with section 3;

2.2.2 The portion of eligible capital costs eligible for regular grant support in accordance with sections 4 and 5.

2.3 The actual or estimated amount of special grant and/or regular grant for a project or program will be outlined in a construction approval or in some other form of written confirmation provided by the Branch.

2.4 Projects which may be eligible for special grants and/or regular grants include the following:

2.4.1 Special Grants

(a) projects related to gas sources in rural gas utilities where Gas Alberta acts as gas broker (see section 3.2);
(b) projects requiring gas transportation grants to offset the cost of new extensions (see section 3.3);
(c) a portion of the capital cost of providing gas service for grain dryers (see section 3.4);
(d) replacement of PE 3306 pipe (see section 3.5);
(e) upgrading or improvements to existing facilities under certain circumstances (see section 3.6);
(f) special research and development projects (see section 3.7).

2.4.2 Regular Grants

(a) installation of new domestic services;
(b) looping and other necessary system improvements;
(c) approved marketing programs;
(d) approved resurvey projects to upgrade the quality and accuracy of plant location records;
(e) installation, replacement, relocation or improvements to gas sources and/or meter stations from which gas purchases are contracted independently from Gas Alberta;
(f) reconnecting distribution systems to new gas sources due to failure or inadequacy of the existing gas source;
(g) replacement of PVC pipelines where the distributor has demonstrated to the Branch that grants are required to maintain the economic viability of the distributor's rural gas utility;
(h) acquisition of outstanding utility rights-of-way.

3. Special Grants

3.1 A portion of eligible capital costs derived from the policies outlined in part D may be deemed by the Branch to be eligible for special grants of up to 100 percent of capital costs.

3.2 Special grants may be available for gas source projects which are related to the provision of new gas sources or improvements to existing gas source facilities including the following:

(a) installation, replacement, relocation or improvements to gas sources and/or meter stations in rural gas utilities from which gas purchases are contracted with Gas Alberta;

(b) amalgamation of distribution systems or other special projects which are initiated by the Branch with the objective of reducing the cost of gas purchases and/or the cost of operating gas source facilities.

3.3 Special grants referred to as gas transporation grants may be available for construction of new service areas or major extensions. These grants are intended to defray the high cost of constructing the main pipelines from a gas source to the load centre of the distribution system.

3.3.1 The availability and amount of a gas transporation grant for a project will be determined by the Branch and confirmed to the distributor at the time of construction approval when the final project design has been established.

3.3.2 A gas transporation grant will be available only where the average cost per rural consumer for the project exceeds $5000.

3.4 Special grants for grain dryer service may be available to distributors, on behalf of farm consumers who enter into separate contracts with the distributor for domestic heating purposes and for interruptible grain dryer service, based on the following formula:

3.4.1 Each grain dryer service shall have a "shareable cost" established from its maximum burner rating, and the shareable cost shall be prorated into a special grant and distributor contribution in accordance with the following table:

Burner Rating BTU/hr	Shareable Cost	Distributor Contribution	Special Grant
Up to 2 million	$2850	$1600	$1250
2-4 million	$3400	$1900	$1500
4-6 million	$5000	$2800	$2200
6-8 million	$6450	$3600	$2850
Over 8 million	Established on an individual basis		

3.4.2 In addition to the special grant specified in subsection 3.4.1, additional costs for grain dryer service may be eligible for regular grant support under the provisions of subsection 5.5 subject to the maximum costs described in subsection 3.4.3.

3.4.3 Except for special circumstances, the cost eligible for regular grant support for grain dryer service is limited to the difference between the shareable cost from subsection 3.4.1 and a maximum cost of service of $12,000 per grain dryer.

3.4.4 Where capital costs are incurred to provide increased capacity due to upgrading of an existing grain dryer, the capital cost eligible for grant support is limited to a maximim of $4000 except for special circumstances. The amount of grant support may be calculated as follows:

(a) Increase the shareable cost to match the burner rating of the new or upgraded grain dryer.

(b) Deduct the incremental shareable cost (new shareable cost less previous shareable cost) from the upgrading cost of $4000, whichever is less and then establish the amount of regular grant support (usually 75% or 90%) for this portion.

(c) Establish the incremental special grant for the new or upgraded burner rating and then add this to the amount of regular grant support to establish total grants for the upgraded service.

Example

Assume:

- Existing 2 million BTU/hr dryer is replaced with a 6 million BTU/hr dryer
- Upgrading cost is $4000
- Average rural consumer cost is $5000

(a) Shareable cost increases from $2850 to $5000; an incremental amount of $2150. The distributor's contribution increases by $1200 and the special grant increases by $950.

(b) Deduct $2150 from $4000 and calculate regular grant support for the balance of $1850 at 90%; therefore, regular grant support is $1665.

(c) Special grant increases from $1250 to $2200, and the increased special grant of $950 is then added to the regular grant of $1665 to establish a total grant of $2615.

3.5 Special grants for replacement of PE 3306 polyethylene pipe may be available for up to 100 percent of capital costs with respect to replacement in the distributor's system or a consumer's yard system. However, where PE 3306 pipe in the distribution system is to be replaced with metallic pipe or polyethylene pipe of greater diameter, or where the original routing of the system is to be altered significantly, the special grant for replacement will apply only to estimated replacement costs for polyethylene pipe which is the same size and in the same location as the PE 3306 pipe to be replaced. Any additional costs associated with the replacement project may be included in urban or rural capital costs as applicable. Additional costs for increased pipe sizes or for routing changes in a consumer's yard system are ineligible for grant assistance.

3.6 Special grants of up to 50 percent of capital costs for upgrading or improving existing distribution systems may be available for the following types of projects:

3.6.1 Replacement of non-approved and/or unsuitable equipment in regulator stations, consumer meter sets, and other facilities;

3.6.2 Installation, replacement, relocation or improvement to intermediate regulator stations or isolation valve facilities to overcome original design or installation errors.

3.7 Special grants may be available to permit a distributor, upon approval by the Branch, to undertake research and development work related to the design, construction, or operation of its rural gas utility.

4. **Grants for Urban Capital Costs**

4.1 For purposes of this section:

4.1.1 An "urban area" means:
(a) An incorporated town or village, or part of an incorporated town or village, included in a franchise area approval issued to a distributor pursuant to the provisions of Part A, or
(b) A group of properties that has been granted urban classification by the Branch pursuant to the provision of subsection 4.2.

4.1.2 An "urban consumer" means a domestic type of gas consumer whose residence is located in an urban area.

4.1.3 The "urban capital cost" for a rural gas utility means that portion of eligible system costs derived from the policies under Part D that is incurred for service to urban consumers and is calculated by taking the aggregate of:
(a) The portion of capital costs dedicated to serving urban consumers, and
(b) The prorated amount, applicable to urban consumers, of the capital cost of a distribution main that is shared by urban consumers and rural consumers.

4.1.4 The "capital cost per urban consumer" means the average cost calculated by dividing the urban capital cost by the number of urban consumers as determined from the provisions of subsection 4.3.

4.2 The Branch may grant urban classification pursuant to subsection 4.1.1(b) to a group of properties that:

4.2.1 Has been identified under a lot, block, and plan subdivision of land where the average lot size is not greater than 0.4 hectares, or

4.2.2 Is contained in an area of land under a single certificate of title where the average area of land per consumer is not greater than 0.4 hectares or where the residences are in a configuration resembling an urban area.

4.3 The number of urban consumers used in the calculation of the capital cost per urban consumer shall be based on the aggregate of the following:

4.3.1 The number of urban consumers who hold contracts with the distributor and to whom service has been made available since receipt of a franchise area approval pursuant to the provisions of Part A;

4.3.2 The full number of lots in a subdivision which has been granted urban classification pursuant to subsection 4.2, where the developer of the subdivision has contracted with the distributor for natural gas service to all subdivision lots and where the distribution mains for that subdivision have been installed;

4.3.3 The number of additional occupied residences where those residences are separately metered by the distributor, and

4.3.4 The number of urban consumers served by the distributor prior to the distributor receiving a franchise under Part A where the distribution system serving those consumers is wholly or partially upgraded or replaced and where the construction approval for the upgrading or replacement specifies the use of this subsection in the calculation of the capital cost per urban consumer. For the purposes of this subsection, the Branch may deem the date of receipt of a franchise under Part A to be May 1, 1973 or such other date which appears appropriate to the circumstances.

4.4. Where a construction approval specifies the use of subsection 4.3.4 in determining the capital cost per urban consumer, the urban capital cost shall be the aggregate of the following:

4.4.1 The urban capital cost as determined by a Branch audit of costs for all approved projects to date, and

4.4.2 A deemed urban capital cost for construction prior to receipt of franchise which is obtained by multiplying the number of urban consumers from subsection 4.3.4 by an assumed capital cost of $1000 for each of those consumers.

4.5 Where the provisions of 4.3.4 and 4.4.2 apply, the capital cost per urban consumer used in the calculation of grants for urban capital costs shall be calculated by dividing the current total urban capital cost for the distributor's entire rural gas utility, including the deemed pre-franchise costs described in subsection 4.4.2 by the current total number of urban consumers served by the distributor, including the applicable number of pre-franchise consumers described in subsection 4.3.4.

4.6 Using the current average capital cost per urban consumer applicable to a distributor's rural gas utility, the total grant available in support of urban capital costs may be calculated from the following table:

Current Average Capital Cost Per Urban Consumer	Sharing of Capital Costs
Up to $600	100% distributor
Over $600 to $1000	100% grant
Over $1000 to $1500	25% distributor - 75% grant
Over $1500 to $3000	10% distributor - 90% grant
Over $3000	100% distributor

4.7 Where the average capital cost per urban consumer includes the provisions under subsection 4.4.2, the 100 percent grant for capital costs over $600 up to $1000 shall not be applicable to those consumers served by the distributor prior to receipt of the franchise respecting the distributor's rural gas utility.

4.8 Where the cost of providing service to any individual urban consumer (including costs eligible for special grant support) exceeds $4000, the costs in excess of $4000 may be ineligible for grant support unless special circumstances exist.

5. **Grants for Rural Capital Costs**

5.1 For purposes of this section

5.1.1 "Rural capital cost" means the capital cost determined by an audit under Part D less the aggregate of:
(a) The capital cost supported by special grants pursuant to the provisions of section 3, and
(b) The urban capital cost as determined from the provisions of section 4, and
(c) Costs deemed to be ineligible for grant support in accordance with Part D.

5.1.2 "Rural consumer" means a farmer as defined in subsection 5.1.3 as well as a non-farming rural domestic type of gas consumer whose share of the capital costs of a rural gas utility is the same as a farmer's share.

5.1.3 "Farmer" means a rural resident who operates a farm as defined in subsection 5.1.4 and who derives from that activity:
(a) An income sufficient to provide a livelihood, where the farm contains 8 hectares or more or has been reduced to less than 8 hectares by expropriation, or
(b) His principal income where the farm contains less than 8 hectares, except where it has been reduced to less than 8 hectares by expropriation.

5.1.4 "Farm" means a parcel or parcels of land operated as a unit by a farmer and used in connection with:
(a) The raising or production of crops, livestock, or poultry, or
(b) Fur production, beekeeping, tree farming, or a greenhouse.

5.1.5 "Capital cost per rural consumer" means the average cost calculated by dividing the rural capital cost by the number of rural consumers as determined from the provisions of subsection 5.2.

5.2 The number of rural consumers to be used in the calculation of the capital cost per rural consumer shall be based on the aggregate of the following:

5.2.1 The number of rural consumers who hold contracts with the distributor and to whom gas service has been made available since receipt of a franchise area approval pursuant to the provisions of Part A;

5.2.2 The full number of lots in a rural subdivision, where the developer of the subdivision has contracted with the distributor for natural gas service to all subdivision lots and where the distribution mains for that subdivision have been installed;

5.2.3 An equivalent of up to five rural consumers where a communal farm is provided with natural gas from a single consumer meter;

5.2.4 The number of additional occupied residences where those residences are separately metered by the distributor;

5.2.5 The number of services for irrigation use where those services are separately metered by the distributor, and

5.2.6 The number of rural consumers served by the distributor prior to the distributor receiving a franchise under Part A, where the distribution system serving those consumers is wholly or partially upgraded or replaced and where the construction approval for the upgrading or replacement specifies the use of this subsection in the calculation of the capital cost per rural consumer. For purposes of this subsection, the Branch may deem the date of receipt of a franchise under Part A to be May 1, 1973 or other such date which appears appropriate under the circumstances.

5.3 Where a construction approval specifies the use of subsection 5.2.6 in determining the capital costs per rural consumer, the rural capital cost shall be the aggregate of the following:

5.3.1 The rural capital cost as determined by a Branch audit of costs for all approved projects to date, and

5.3.2 A deemed rural capital cost for construction prior to receipt of franchise which is obtained by multiplying the number of rural consumers from subsection 5 2.6 by an assumed capital cost of $3000 for each of these consumers.

5.4 Where the provisions of subsections 5.2.6 and 5.3.2 apply, the capital cost per rural consumer used in the calculation of grants for rural capital costs shall be calculated by dividing the current total rural capital cost for the distributor's entire rural gas utility including the deemed pre-franchise costs described in subsection 5.3.2 by the current total number of rural consumers served by the distributor including the applicable number of pre-franchise consumers described in subsection 5.2.6.

5.5 Using the current average capital cost per rural consumer applicable to a distributor's rural gas utility, the total grant available in support of rural capital costs may be calculated from the following table:

Current Average Capital Cost Per Rural Consumer	Sharing of Capital Costs
Up to $1700	100% distributor
Over $1700 to $3000	100% grant
Over $3000 to $4500	25% distributor - 75% grant
Over $4500 to $8500	10% distributor - 90% grant
Over $8500	100% distributor

5.6 Notwithstanding subsection 5.5.

5.6.1 Where the capital cost per rural consumer includes the provisions under subsection 5.3.2, the 100 percent grant for capital costs over $1700 up to $3000 shall not be applicable to pre-franchise consumers.

5.6.2 Where the number of rural consumers includes services for irrigation use:

(a) For services constructed prior to January 1, 1985, the 100 percent grant for capital costs over $1700 up to $3000 shall be applicable to only the first service for irrigation use by a farm consumer, and this grant shall not be applicable to the second or any subsequent services for irrigation use by that farm consumer, irrespective of ownership of land on which the irrigation services are located. For services constructed after January 1, 1985, the 100% grant for capital costs over $1700 to $3000 shall be applicable to all irrigation services.

(b) Where a farm consumer relocates an irrigation engine and the distributor provides a new service while abandoning the existing service, the distributor's rural consumer count will remain unchanged, and the cost of the new service will be deemed ineligible for grant support.

5.6.3 Where the number of rural consumers includes an indoor farm or greenhouse located in a rural area and involved in the production of crops, the capital cost for service to that indoor farm or greenhouse will, for grant eligibility purposes, be limited to a maximum of $20,000 and any costs in excess of this amount will be deemed ineligible for grant support.

5.6.4 Where the cost of providing service to any individual rural consumer or irrigation service (including any costs eligible for special grant support) exceeds $12,000, the costs in excess of $12,000 may be ineligible for grant support unless special circumstances exist.

6. Grant Processing

6.1 Following the processing of construction applications, the Branch will issue a construction approval for a project or a batch of projects depending on the amount of grant involved, the distributor's requirements for advance or progress grants, and other factors. Ordinarily, the Branch will generate and process with the construction approval a combined advance/progress grant of 75 percent of estimated grants specified in the construction approval.

6.2 A distributor may request a further progress grant of up to 12.5 percent of its estimated additional grant eligibility respecting an approved project or program where:

6.2.1 The project or program, as described in the construction approval or amendment thereto, has been completed;

6.2.2 The capital cost for the approved project or program has been compiled and has been subject to an audit by the Branch;

6.2.3 The distributor has filed a schedule of its rates, tolls, and charges with Gas Alberta and with the Public Utilities Board, and

6.2.4 Any other requirements of the Branch have been met.

6.3 The balance of any additional grant eligibility to which a distributor is entitled following its fiscal year end may be paid to a distributor where the requirements of section 6.2 have been met, and

6.3.1 The distributor has submitted and received approval for as-built drawing and license applications for all construction undertaken to date;

6.3.2 The distributor's account and contract status with Gas Alberta, if applicable, is in a current position;

6.3.3 An independent audit has been completed for the distributor's rural gas utility and a financial statement covering that audit has been submitted to the Branch together with any supporting information requested by the Branch;

6.3.4 Any other requirements of the Branch have been met.

6.4 A distributor may authorize the Branch to forward payments of grants directly to a third party such as:

6.4.1 Suppliers, contractors or other third parties for special projects or programs in a distributor's rural gas utility, and/or

6.4.2 A distributor's bank or other financial institution of its choice.

Direct payments are optional to the distributor in most cases and require that the distributor provide the Branch with authority in this regard by executing an agreement to distribute funds directly. The option may not, however, exist in cases where a third party provides goods and/or services directly to the Branch under contract on a preferred cost basis and the distributor wishes to obtain the benefit of this preferred cost arrangement.

PART F

GENERAL

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1. **Gas Alberta**

1.1 Gas Alberta acts as a broker for the purchase of natural gas from various suppliers, such as producers, exporters, and utility companies, and for the resale of natural gas to distributors. In addition, Gas Alberta may also act as a broker in natural gas exchange arrangements between suppliers and distributors.

1.2 The price charged for natural gas resold by Gas Alberta to distributors is uniform throughout the Province and may change from time to time to reflect natural gas pricing policies and market conditions.

1.3 The wholesale price of natural gas sold by Gas Alberta does not include cost components for Federal excise tax or other federal taxes which are the distributor's responsibility.

1.4 A distributor which purchases natural gas from Gas Alberta must enter into a contract with Gas Alberta for that purpose.

1.5 A distributor may, subject to entering into a special arrangement with Gas Alberta, utilize the Gas Alberta retail billing system to bill its consumers for natural gas service. This system, which also serves as a revenue accounting system and listing of accounts receivable, is available on an optional fee structure of either:

1.5.1 Special Billing Service 3¢/GJ or 80¢/bill, or

1.5.2 Retail Billing Service 4¢/GJ or $1.05/bill.

The above rates may be adjusted from time to time to reflect inflationary increases in the cost of this service.

2. **Insurance Coverage**

2.1 A distributor must at all times carry comprehensive public liability and property damage insurance, including standard non-owned automobile liability coverage and contingent employer's liability coverage, with an insurer licensed to do business in Alberta in a total amount of not less that TWO MILLION DOLLARS ($2,000,000).

2.2 Property damage coverage under subsection 2.1 must be based on an "occurrence" basis rather than an "accident" basis.

2.3 In addition to the insurance coverage requirements of subsection 2.1, a distributor must also insure and keep insured all buildings, above-ground equipment (including RMO stations, regulator stations, and block valve station owned by the distributor) which are valued at $2,000 or greater, and material and equipment inventories, to at least the current actual value of that property.

2.4 A distributor must carry blanket position bonding of officers and employees in a total amount of not less than $50,000.

2.5 A distributor must file with the Branch:

2.5.1 Proof, satisfactory to the Branch, that it is complying with the requirements of this section, and

2.5.2 A written statement from its insurer certifying that the insurance policy will not be cancelled, amended, or allowed to expire except with 20 days written notice to the Branch and that until such notice is given, the policy will remain in full force and effect notwithstanding any provision, condition, or agreement to the contrary.

2.6 Notwithstanding anything in this section, the insurance coverage requirements specified herein may be waived or superseded by any equivalent or greater insurance coverage requirements of any other agency or legislation which has authority over the affairs of the distributor.

3. Utility Rights-of-Way

3.1 Notwithstanding any other provisions in this manual, a distributor must not:

3.1.1. Proceed with the installation of a pipeline on any lands unless it is in receipt of a proper and legal right-of-entry from the owner or legal administrator of those lands by means of an executed easement, utility right-of-way, or other legal instrument which certifies that the distributor has such authority;

3.1.2 Construct an above-ground facility such as an RMO station, regulator station, or block valve station unless it is in receipt of an above-ground appurtenance agreement duly signed and authorized by the owner or legal administrator of the land on which the above-ground facility is to be installed.

3.2 An easement, utility right-of-way, or other instrument utilized by a distributor to obtain authorization under the provisions of subsection 3.1.1 must:

3.2.1 Be on a form prescribed by or acceptable to the Branch;

3.2.2 Contain all necessary provisions to ensure that the distributor obtains such rights, title, and interests as are necessary to construct, operate, maintain, inspect, service, survey, repair, and replace its pipeline and associated facilities;

3.2.3 Not contain any provisions which are unnecessarily detrimental, discriminatory, or unfair to the owner of the lands, or which prejudice the distributor's right and ability to carry out the basic functions described in subsection 3.2.2;

3.2.4 Notwithstanding the requirements of subsections 3.2.1 to 3.2.3 inclusive, contain such terms and provisions acceptable to the Registrar of Land Titles in order that the instrument may be registered on the title for the lands in question.

3.3 An easement, utility right-of-way, or other instrument obtained by a distributor under the provisions of subsection 3.1.1 must be filed for registration at the Land Titles Office. Where, due to genuine circumstances, it is not possible to file the document, a caveat with respect to the easement, utility right-of-way, or other instrument must instead be filed to register the distributor's interests.

3.4 The Branch may, subject to certain restrictions, assist distributors in the compilation of easement or utility right-of-way documents and, upon their execution, the registration of such documents at the Land Titles Office. The basic administrative procedures involved in this service are as follows:

3.4.1 When the proposed routing for a pipeline system has been finalized, the distributor will submit a listing of the lands involved to the Branch;

3.4.2 On receipt of this listing, the Branch will conduct a title search for the lands, and will then compile from the results of this search a set of utility right-of-way and/or consent documents, in triplicate, which will be provided to the distributor;

3.4.3 On receipt of the documents, the distributor will obtain the required signature of the landowner named in the document on all three copies, complete the document, and then return the original and second copy to the Branch. The third copy should be retained by the landowner;

3.4.4 The Branch will register the executed document at the Land Titles Office on behalf of the distributor and, when registration is complete, the second copy, which will have a registration number affixed for reference, will be returned to the distributor. The original copy of the executed document will be retained as a permanent record at the Land Titles Office;

3.4.5 Where the form or content of a document is not acceptable to the Registrar of Land Titles, the document will be returned to the distributor with advice on the action required to correct the deficiency involved.

3.5 A manual on the subject of utility rights-of-way is available from the Branch upon request.

4. **Lien Notes**

4.1 For purposes of this section, "member" means a member of a rural gas co-operative association who wishes to finance a portion of his member contribution for natural gas service and to have the Provincial Treasurer guarantee the repayment of the amount financed pursuant to the provisions of the Rural Utilities Act.

4.2 Where a guarantee for a portion of a member's contribution is requested by the member, the association shall ensure that a guarantee authorization is in place and shall obtain a standard lien note document from the Branch for this purpose.

4.3 A lien note provided to the association should be completed jointly by the association and the member. The following information is pertinent in this regard:

4.3.1 Lien notes must be completed in triplicate and, if carbon copies or photocopies are used, original signatures are nevertheless required on all three copies.

4.3.2 Special notations should not be added to the lien note. Where additional information or comments are required, these should be outlined in a separate memorandum attached to the lien note.

4.3.3 Lien notes must include the following information:
(a) The full name and address of the member;
(b) The full and detailed description of the member's land;
(c) The name and address of the lending agency;
(d) The relevant details respecting the loan, including the amount of the principal sum, the term, the rate of interest, and the repayment schedule. Should the repayment schedule not be provided at the time of initial completion and signing of the lien note, the association shall obtain written authorization from the member for the association or the Branch to inset the repayment schedule at a later date;
(e) The signatures of the member, subject to the provisions of subsections 4.3.4, and the association; and
(f) The corporate seal of the association.

Where any of the above information is subsequently amended, the member must initial the amendment on all copies of the lien note.

4.3.4 Acceptable member signatures on a lien note should consist of one of the following options:
(a) The member if he is the single registered owner of the lands in the lien note;
(b) The member and all other registered owners in the case of joint or multiple ownership of the lands;
(c) The registered owner or owners of the lands where the member has a registered interest in the lands by way of a caveat;
(d) The signatures of two company directors, covered by the company's corporate seal, where the lands described in the lien note are owned by an incorporated company. In addition, a resolution authorizing the loan must be attached to the lien note and must be signed by two directors and covered by the corporate seal;
(e) In the case of non-patented lands and/or the title held by Veterans Affairs, Agriculture Development Corporation, etc., lien notes will be approved if the note is in the name of the person whom the organization involved has on record. However, co-signing of lien notes is not acceptable, and the member's account must be in good standing.

4.3.5 If the member has two contracts with the association and the member's contribution for both contracts is to be subject to lien notes, two lien notes are required, one of which should indicate the existence of the two notes by adding the term "second service".

4.4 Completed lien notes should be submitted to the Branch for approval. When approved, a notice of lien will be registered on the titles for the land in question.

4.5 If an approved guarantee authorization is in place, the Branch will be able to release lien notes following confirmation in writing from the association as to which lien notes are to be released and the date or dates each lien note or group of lien notes is to be activated. Confirmation from the association to release and activate lien notes should coincide as fast as is possible with the construction approval which includes service to the members described in the lien notes.

4.6 When lien notes are released:

4.6.1 One copy of the document will be returned to the association;

4.6.2 One copy will be forwarded to the lending agent, and

4.6.3 The original document will be retained by the Branch.

The amount specified in the lien note may be released by the lending agent at that time and, in any event, must be released in total prior to expiration of the Guarantee Authorization. Where any portion of the amount has not been released by the date the Guarantee Authorization expires, a new application to the Branch is required. At the time the lien note is to be released, the association must provide the Branch with a promissory note which will be forwarded to the Provincial Treasurer for endorsement.

4.7 When a lien note is paid in full, the lending agent must return its copy of the note, with a covering letter confirming payment in full, to the Branch which will then discharge the lien registered on the land. The original note and the lender's copy, together with a copy of the discharge of lien, will be returned to the association which, in turn, should forward all copies to the member concerned.

4.8 When land is sold, the lien note may be paid in full or the balance owing assumed by the new owner, in which case replacement lien notes must be taken from the new member. Replacement notes must be actual duplicates of the original note with amounts, dates, and schedules remaining the same. In addition, the new member's note must indicate the name of the original member and the loan number.